

VZCZCXRO6055
PP RUEHDBU
DE RUEHKV #1843/01 2111319
ZNY CCCCC ZZH
P 301319Z JUL 07
FM AMEMBASSY KYIV
TO RUEHC/SECSTATE WASHDC PRIORITY 3207
INFO RUEHZG/NATO EU COLLECTIVE
RUCNCIS/CIS COLLECTIVE
RUEHLMC/MILLENNIUM CHALLENGE CORP WASHDC

C O N F I D E N T I A L SECTION 01 OF 03 KYIV 001843

SIPDIS

SIPDIS

E.O. 12958: DECL: 07/30/2017
TAGS: [PGOV](#) [PREL](#) [PINR](#) [UP](#)
SUBJECT: UKRAINE: AKHMETOV WING OF REGIONS GEARS UP FOR
ELECTIONS

KYIV 00001843 001.2 OF 003

Classified By: Ambassador for reasons 1.4(b,d).

11. (C) Summary. In meetings with Party of Regions leaders Raisa Bohatyreva and Borys Kolesnikov--both members of the business-oriented wing of Regions dominated by oligarch Rinat Akhmetov--it was clear that there was an ongoing and heated debate within the party over strategies for the election, for post-election coalition building, and longer term economic policies. Even as both denied that there was any split in the party, they talked about "us" and "them". They both spoke of a wing of the party that wanted to see more moderate positions on NATO and the Russian language and that was pushing for a broad coalition with Our Ukraine. Both suggested that First Deputy Prime Minister Azarov was a major obstacle in moderating the party.

12. (C) Comment. Given Regions discipline and sense of self-preservation, it is unlikely that this split will lead to a formal rupture of the party, at least in the near term. What it does indicate, however, is that there is a struggle within Ukraine's most popular party for the future of the party. The powerful Akhmetov, apparently supported by PM Yanukovych, appears to have clear goals about what he wants the party to be and do, but he does not seem able to dictate unilaterally to the party. On the other side is Azarov, and possibly Deputy PM Klyuyev, representing a number of other personal/financial interests within the party and possibly responding to outside pressure from the Kremlin. The publishing of Regions' party list on or after August 4--and who appears on it--will be a significant indicator of which side is gaining the upper hand. It has been easier so far to argue the merits of a fair election to the Akhmetov camp, but it may be Klyuyev and Azarov, and most importantly Prime Minister Yanukovych, who decide Regions' strategy. End summary and comment.

Kolesnikov: Ukraine's Business Needs Radical Reforms

13. (C) In his July 27 meeting with Ambassador, Regions MP Kolesnikov, Akhmetov's right-hand man, started off the meeting denying that there were different groups within Regions. There were differences of opinion, of course, but he and Akhmetov hated it when the press and other political forces exaggerated the split. He then launched into a long discussion of what his "group" inside Regions wanted--primarily a pragmatic government and accelerated economic reforms. Akhmetov had hired McKinsey and Company to prepare an economic platform for Ukraine based on international standards. Originally Akhmetov had planned to present the platform publicly this summer, but now he would wait until October so his strategic vision would not be

muddled by the campaign. Their basic goals were to decrease the role of the government in managing the economy and to free up the flow of money in and out of Ukraine to facilitate investment and savings. When Ambassador asked about likely campaign platforms for Regions, Kolesnikov said that people could talk about NATO or the EU, but if Azarov cannot explain to people what Ukraine's comparative advantage in the world market was, then Ukraine is in trouble. Kolesnikov believed that not even the President's team was ready for truly radical economic reform.

¶4. (C) Kolesnikov alluded to Azarov as the leader of the other wing of Regions, although he was circumspect in his criticism. He also admitted that Akhmetov, as well as he, had considered carefully whether to run for the Rada again or go back to business, saying that he did not enjoy parliamentary work. In the end, neither wanted to damage Regions' reputation and they had decided that to leave in the face of short-term elections would be perceived as a show of no confidence in the party; so for now it looked as if they would stay.

We Want Our Ukraine, but They Want the Communists

¶5. (C) There was also a difference in terms of how the two wings of Regions viewed election and coalition partners, according to Kolesnikov. He thought that the Orange Megabloc's stated intention to ally with BYuT had encouraged some Regions leaders to be open to the participation of other political forces, like the Socialist Party or the Social Democratic Party (united), on the Regions list. In the end, he thought Regions would take a few individuals, like Emergencies Minister Shufrych and Deputy Justice Minister Inna Bohoslovska--a Pinchuk political ally--and possibly Economy Minister Kinakh, to whom Regions had a "moral obligation," but that there would be no wholesale swallowing of other parties. Bohatyreva (details below) echoed these

KYIV 00001843 002.2 OF 003

comments, saying that while Bohoslovska's party Viche might merge into Regions, Regions was not interested in seeing a lot of politicians from the Socialist Party or the Social Democratic Party (united) join their list, since their reputations were tainted. However, they cautioned, some Regions members wanted the new coalition to be the same as the old--with the Communists and Socialists, should they cross the three-percent barrier.

¶6. (C) Kolesnikov said the preference of his wing of Regions was a broad coalition with Our Ukraine--uniting liberal parties made the most sense--but he left open the possibility that another coalition with the Communists could happen. Kolesnikov said that, in 2006, Akhmetov had resisted the coalition with the Communists and Socialists until it seemed the only choice. (Note. Yanukovych also has on many occasions stated his strong preference for a coalition with Yushchenko. End note.) Right now, according to Kolesnikov, there were high-ranking Regions members conducting negotiations with Our Ukraine, but because there was so much distrust between the two groups, it would be hard to form a coalition. OU had lost credibility with Regions when it used Regions' proposal to form a coalition after the March 2006 elections as a bargaining chip to try to wring concessions out of Tymoshenko. For its part, Regions never should have signed the Universal unless it intended to fulfill it. A lot would depend on what OU does in the next couple of weeks.

Kolesnikov's Election Strategy

¶7. (C) Kolesnikov said that Regions' political council would meet July 30 to decide who would run the campaign and to finalize the party list. He acknowledged that he was one candidate to lead the campaign effort. (Note. In a July 24 meeting, Environment Minister Dzharty told Ambassador that he

too was a candidate to lead the election campaign, as he had done in 2006. End note.) However, the list will remain secret until the party's congress on August 4. His wing of

SIPDIS

the party, the "business component," was pushing hard to reach out to businessmen in Kyiv, Odesa, and even in Western Ukraine to bring more business-oriented people into the party and tilt the balance in their favor. In addition, such a move would give Regions a little more of a national posture.

¶8. (C) In terms of campaign issues, NATO would probably come up, although Kolesnikov preferred to see it kept quiet. He said that non-bloc status was appealing for many in Regions, and he implied he was one of that number, because it protected relations with Russia, a strategic business partner, while still allowing for the improvement of relations with the West. Later, he said, in a couple of years when things are calmer, the NATO issue could be readdressed--via an education campaign and the natural shifting of public opinion over time.

Bohatyрева: Regions is Running

¶9. (C) At a separate July 27 meeting, Regions faction leader Bohatyрева told Ambassador that the decision had been made by party leadership to participate in the elections. They were now preparing for the August 4 congress and the campaign; Yanukovych was on board with this plan. Regions campaign would be centered on economic growth and social issues.

¶10. (C) Bohatyрева said Regions was not yet seriously discussing post-election coalitions, but pragmatism suggested that a broad coalition with OU was the best option for stability. Regions was conducting ongoing talks with OU, and sometimes with BYuT. The way to get to a broad coalition was to focus on unifying issues--like economic policies--and avoid divisive issues. However, she warned, Ukrainian politics was often emotion-driven and if the election became very tense, coalition building would be much harder. There were some in Regions who would like the party to soften its stance on NATO and the Russian language--but Regions will be hemmed in by Vitrenko trying to win Regions voters with these issues on one side and BYuT using these issues to try to discredit Regions on the other. In addition, in such a short timeframe, it would be hard to develop new platforms, so all major parties would turn to populist slogans to try to win voters.

Azarov Is Playing His Own Game

¶11. (C) Bohatyрева's true loyalties--to Akhmetov--and rivalries--with Azarov and Klyuyev--within the party came out most clearly when Ambassador asked her about her

KYIV 00001843 003.2 OF 003

controversial resignation from the Tender Chamber. (Note. The Tender Chamber is a civic organization that manages and provides oversight of the government procurement process. Bohatyрева stepped down as honorary president on July 12 amid speculation that she was forced out by Azarov, who was looking to funnel profits from kickbacks into his own channels. End note.) Bohatyрева said that she had tried to put an end to some of the corrupt schemes she saw, which brought her into conflict with a number of ministers, including Labor Minister Papiyev, EnergoAtom Head Derkach, Energy Minister Boyko, and Health Minister Haidayiv, all of whom she placed in Azarov's, and possibly Klyuyev's, circle. She said Azarov pushed for control of the Tender Chamber, and she was subsequently told to resign for the good of the party. She also criticized the process Regions used to make the 2006 party list, saying the process was subject to similar machinations and charging that the new party list could just be convoluted and nontransparent. In the end, she

concluded, all these Regions leaders looked for approval from "a man who loves football"--a reference to Shakhter owner Akhmetov--and she knows she is playing for the right team.

¶12. (U) Visit Embassy Kyiv's classified website:
www.state.sgov.gov/p/eur/kyiv.
Taylor